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TO AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EFIN, AU

SUBJECT: VAT EXEMPTIONS GRANTED DP MISSION BY EEC COUNTRIES

REF: VIENNA 8219

1. PER REQUEST OF REFTTEL, COMMITTEE HAS HIGHLIGHTED
BASIC EXEMPTION POLICIES AND PRACTICES OF SEVERAL EEC
COUNTRIES. TIME AND SPACE CONCERNS PRECLUDED IN DEPTH
EXPOSITION OF DETAILS AND THE LEGAL THEORIES FOR THESE
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POLICIES, WHICH, OF COURSE, WOULD BE IMPORTANT TO

THOROUGH CONSIDERATION.

2. WEST GERMANY: FRG GRANTS FOLLOWING EXEMPTION FROM VALUE ADDED TAX (VAT): (A) VAT IS NOT PAID ON ANY OFFICIAL EXPENDITURES IN BERLIN. (B) VAT IS CHARGED AT VARYING RATES FOR CERTAIN EXPENDITURES AT ALL OTHER LOCATIONS IN FRG: (L) 5.5 PERCENT ON WATER AND PUBLICATIONS; (2) 11 PERCENT ON COMMUNICATIONS CONTRACT AND EQUIPMENT SERVICES, ELECTRICITY AND GAS, AND VARIOUS OTHER ITEMS. SALARIES AND BENEFITS FOR EMPLOYEES, TRAVEL AND FREIGHT, BUDESPOST CHARGES, SEWERAGE AND GARBAGE, MUNICIPAL HEATING, VEHICLE INSURANCE, TAXI SERVICES, AND INDIVIDUAL CONTRACTS ARE EXEMPTED FROM VAT. ANY VAT PAID IS REFUNDABLE FOR EXPENSES RELATED TO EMBASSY OPERATIONS, BUT NOT FOR CONSULAR OPERATIONS. TAXES ON INVOICES IN AMOUNTS LESS THAN DM 500.00 ARE ALSO NOT REFUNDABLE. THE EMBASSY SUBMITS QUARTERLY REFUND REQUESTS TO MINISTRY OF FINANCE.

THE IMPACT OF THE VAT IS NOT VERY SIGNIFICANT WHEN VIEWED AS A PART OF THE TOTAL OPERATING COSTS AS THE FOLLOWING 1973 FIGURES INDICATE: (A) TOTAL OPERATING COSTS \$7,950,000 (100 PERCENT OF TOTAL); (B) AMOUNT SUBJECT TO TAX \$1,300,000 (16.4 PERCENT); (C) COST OF TAX \$117,000 (1.4 PERCENT); (D) REFUNDABLE \$66,000 (0.8 PERCENT); (E) NET COST OF TAX \$51,000 (0.6 PERCENT).

3. ITALY: GOI EXEMPTS FROM ITS VALUE ADDED TAX (IVA) ALL USG DIPLOMATIC AND CONSULAR EXPENDITURES AND PERSONAL EXPENDITURES OF ACCREDITED USG PERSONNEL WHICH EXCEED 100,000 LIRE (APPROXIMATELY \$150 US). OFFICIAL PROTEST HAS BEEN MADE TO THE LIMITATION ON EXEMPTION. EXEMPTION PROCEDURE IS ACCOMPLISHED BY ISSUANCE OF TAX FREE FORMS ON DIPLOMATIC REQUEST. CONSOLIDATION OF PURCHASES IS BEING DONE WHENEVER POSSIBLE TO MINIMIZE TAX IMPACT ON OFFICIAL AND PERSONAL EXPENDITURES.

4. UNITED KINGDOM: ALTHOUGH HMG EXEMPTS ALMOST ALL USG MILITARY EXPENDITURES IN UK FROM VAT, NO EXEMPTIONS ARE GRANTED UNDER THE LAW FOR DIPLOMATIC OR CONSULAR EXPENDITURES. HMG ADVANCES THE CLASSICAL ARGUMENT THAT VAT IS LIMITED OFFICIAL USE

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NOT A DIRECT TAX, BUT ONE INCLUDED IN THE PRICE OF GOODS OR SERVICES AND, THEREFORE, NOT OBLIGATORILY SUBJECT TO EXEMPTION UNDER VIENNA CONVENTION.

5. NETHERLANDS: GON REFUNDS VALUE-ADDED TAX (B.T.W.) PAID ON "GOODS DESTINED FOR OFFICIAL USE BY THE REPRESENTATIVES OF OTHER POWERS AND THEIR OFFICIAL STAFF". REFUND IS BASED ON "DELIVERIES" WHICH EXCEED 100

GUILDERS (APPROXIMATELY US \$37).

6. BELGIUM: GOB EXEMPTS DIPLOMATIC AND CONSULAR EXPENDITURES, INCLUDING THOSE OF ACCREDITED PERSONNEL FROM VALUE ADDED TAX (TVA) ON GOODS COSTING MORE THAN 10,000 BELGIAN FRANCS (APPROXIMATELY US\$255). EXEMPTION OBTAINED ON PRESENTATION OF FORM SELLER TO VENDOR. NO TVA IS IMPOSED ON IMPORTED GOODS (INCLUDING THOSE IN BONDED STORAGE).

7. SUPPLEMENT 11/73 OF THE BULLETIN OF THE EUROPEAN COMMUNITIES, ENTITLED "PROPOSAL FOR A SIXTH COUNCIL DIRECTIVE ON THE HARMONIZATION OF MEMBER STATES CONCERNING TURNOVER TAXES: COMMON SYSTEM OF VALUE ADDED TAX: UNIFORM BASIS OF ASSESSMENT", WHICH WAS SUBMITTED TO THE COUNCIL BY THE COMMISSION ON 29 JUNE 1973, CONTAINS A SPECIFIC EXEMPTION FOR THE IMPORTATION OF GOODS UNDER DIPLOMATIC AND CONSULAR ARRANGEMENTS IN ARTICLE 15.

ARTICLE 27 OF THE OECD DOUBLE TAXATION CONVENTION CONTAINS A PROVISION CONCERNING DIPLOMATIC AND CONSULAR OFFICERS. BOTH THIS EEC PROPOSAL AND OECD CONVENTION WILL BE THE SUBJECT OF CONSULTATIONS IN BRUSSELS AND PARIS. INGERSOLL

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